

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH DAKOTA
WESTERN DIVISION

UNITED STATES OF AMERICA,

CR 17-50130

Plaintiff,

vs.

FACTUAL BASIS STATEMENT

JUDY LYNN CARROLL,

Defendant.

The Defendant states the following facts are true, and the parties agree that they establish a factual basis for the offense to which the Defendant is pleading guilty pursuant to Fed. R. Crim. P. 11(b)(3).

Wire Fraud – 18 U.S.C. § 1343

In November of 1989, the defendant, Judy Lynn Carroll ("Carroll"), a resident of California, and her husband, James Carroll, won approximately \$5,211,954.00 in the California lottery, which was to be paid in annual installments over a 20 year period. In the mid-1990s, Carroll and [REDACTED] ("[REDACTED]") were neighbors in El Cajon, California, and became good friends. During conversations with Carroll, [REDACTED] became aware that Carroll had won a substantial amount of money in the California lottery.

Beginning on or about November 2000, and continuing until on or about October 2016, Carroll devised and intended to devise a scheme and artifice to defraud [REDACTED] and enrich herself. As part of the scheme and artifice, Carroll falsely told [REDACTED] the Internal Revenue Service ("IRS") had completely frozen all

her assets, including the Carroll Family Trust, Carroll's trust account where Carroll indicated the lottery winnings were held.

Beginning in November of 2000, Carroll requested money from [REDACTED] to assist in paying her personal living expenses while Carroll claimed to be resolving the IRS issue. On or about December 9, 2000, [REDACTED] provided Carroll with a cashier's check for \$20,000.00. Carroll told [REDACTED] the loan would be repaid in full once her assets were unfrozen.

In 2001 and 2002, Carroll continued to falsely tell [REDACTED] her assets were frozen by the IRS and continued to request additional money from [REDACTED] to assist with the IRS issue. Between 1995 and 2015, other than the 2008 IRS levy, the IRS has no records of any other instances of successful IRS levies on Carroll's accounts, including any Carroll Family Trust Account. Based on Carroll's false representations to [REDACTED], [REDACTED] continued to send money to Carroll, either through cashier's checks or wire transfers, with the understanding the money was being used to resolve Carroll's IRS issue and to release Carroll's assets from the IRS seizure.

In 2002, [REDACTED] sold her residence in California and moved to Rapid City, South Dakota. After [REDACTED] moved to South Dakota, Carroll continued to contact [REDACTED] to request additional funds to pay off the IRS. Carroll falsely claimed the IRS was holding up the funds in her trust account. In April 2003, Carroll falsely told [REDACTED] that Carroll owed \$93,385.69 to the IRS as the final tax obligation in order to release the funds in Carroll's accounts. In a telephone conversation with [REDACTED], Carroll confirmed that the wired funds were specifically to be used

to pay the IRS. On or about April 24, 2003, [REDACTED] wired \$93,385.69 to Carroll's bank account held at California Bank and Trust to pay the amount Carroll falsely claimed she owed to the IRS. Despite claiming the \$93,385.69 wire by [REDACTED] to Carroll was specifically to pay the IRS, Carroll only made an \$834.06 payment to the IRS in all of 2003.

In October 2003, [REDACTED] confronted Carroll about why the IRS issue had not been resolved. In response, Carroll provided [REDACTED] with a letter from her accountant dated October 9, 2003, indicating the IRS issue would be resolved by December. However, in reality and as Carroll well knew, she had falsely told her accountant she needed a letter for a bank saying her IRS issue would be resolved by December. The same accountant later told the IRS he had not assisted Carroll with any IRS tax issue, other than filing her personal income tax returns.

In late 2006, Carroll had still not repaid [REDACTED] loan and continued to falsely blame the IRS for freezing all of her assets. [REDACTED] became concerned about Carroll's financial situation and requested Carroll provide a statement from her attorney regarding Carroll's financial condition. In response, Carroll solicited a letter from an attorney indicating the value of the Carroll Family Trust's assets was approximately \$17,896,000.00, of which approximately \$15,000,000.00 was held in a Lincoln Financial trust account. In reality, and as Carroll well knew, Carroll had provided substantially all of the values contained in the letter and the attorney had no independent knowledge regarding the actual value of Carroll's assets or financial condition. The same attorney

later told the IRS it was possible that the assets Carroll listed in the letter had little to no value at the time the letter was written. The attorney also told the IRS the letter was not intended to go to a third party but rather was for internal trust purposes. In fact, IRS investigators were unable to verify the existence of the Lincoln Financial trust account or that Carroll had any meaningful net worth at the time the letter was provided to [REDACTED].

Between 2006 and 2011 [REDACTED] and Carroll continued to stay in contact while [REDACTED] lived in South Dakota and Carroll remained in California. During this period of time, [REDACTED] continued to believe Carroll was working to resolve her IRS issues so [REDACTED]'s loan could be repaid. In 2010, Carroll continued to tell [REDACTED] that her issues with the IRS had still not been resolved, continued to falsely blame the IRS for her inability to repay [REDACTED], and falsely told [REDACTED] her IRS case was in the IRS fraud department.

Between 2011 and 2016, Carroll requested additional funds from [REDACTED] to help resolve the IRS tax issues. Carroll told [REDACTED] that the IRS seizure of her assets was complicated by an identity theft issue in Florida involving Carroll's husband. Carroll told [REDACTED] someone had purchased real estate in Florida using her husband's name and then sold it causing a large capital gains tax due with the IRS. Carroll told [REDACTED] she needed money to pay her attorney to resolve the identity theft issue in Florida. Despite this claim, upon later investigation, the Office of the State Attorney for Florida was unable to identify any Florida cases involving Carroll or her husband.

██████ told Carroll she would send money directly to Carroll's attorney because ██████ wanted to make sure the money was actually going to an attorney. Carroll told ██████ that was not an option because Carroll was the only one who could pay the attorney and Carroll's attorney only wanted money loaded onto prepaid debit cards. In 2011 and 2012, ██████ purchased approximately \$30,615.00 in prepaid debit cards and transferred the funds to Carroll. The transaction histories for those prepaid debit cards do not indicate any charges from attorneys or payments to the IRS.

From 2011 through 2016, on approximately 86 occasions, ██████ used Western Union to wire approximately \$303,349.00 to Carroll from South Dakota. Carroll received the wired funds at three different locations: Money Tree in El Cajon, California; The Check Cashing Place in El Cajon, California; and Fry's Pharmacy in Avondale, Arizona. Carroll told ██████ that Carroll's attorney wanted Carroll to take the wired funds and load the money onto prepaid debit cards which the attorney then charged for his services. Despite this claim, a review of Carroll's debit card records contain no transactions for any legal services.

In October 2016, Carroll called and spoke with ██████ in South Dakota. Carroll told ██████ that she had paid her past due taxes with the IRS but requested additional funds because she claimed she still owed \$9,500.00 for tax year 2002. Despite these claims, IRS records do not reflect any payment that Carroll or her husband have made to the IRS since 2008.

Based on Carroll's claims, between December 2000 and October 2016, [REDACTED] sent Carroll money via cashier's checks, wire transfers, and prepaid debit cards totaling \$622,236.01. Carroll falsely represented to [REDACTED] that the money [REDACTED] was sending her was being used to resolve the IRS tax issue related to Carroll's seized assets. Despite Carroll's claims, between 1995 and 2016, Carroll only made direct payments to the IRS of approximately \$54,124.29. IRS records show only one instance between 1995 and 2016 where bank accounts had been successfully levied or "frozen" to pay Carroll's delinquent taxes. A lien was placed on Carroll's account on September 14, 2007. A levy in the amount of \$6,720.32 was taken from the account on May 14, 2008. No tax account records exist for the Carroll Family Trust.

In addition to the money sent by [REDACTED] to Carroll, between 1999 and 2016 Carroll also requested and obtained funds from several other individuals, including \$67,000.00 from [REDACTED], \$264,000.00 from [REDACTED], \$50,000.00 from [REDACTED] and \$237,000.00 from [REDACTED]. Carroll obtained this money and failed to pay it back using similar false pretenses as described above.

Tax Evasion – 26 U.S.C. § 7201

At all times relevant to the indictment, Judy Lynn Carroll ("Carroll") was a resident of El Cajon, California. During the years 1999 through 2016, Carroll received payments totaling \$1,240,236.01 from six individuals which Carroll knew represented income to her and should have been reported on her federal income tax returns.

Carroll knowingly and willfully attempted to evade or defeat a tax imposed under the Internal Revenue Code and the payment of that tax, to wit: Carroll failed to file a personal income tax return for 2014 and committed affirmative acts in furtherance of evading the assessment of taxes. One such act occurred on or about December 4, 2014, in the District of South Dakota, when Carroll directed [REDACTED] to wire \$7,000 using Western Union from South Dakota to California. Carroll then withdrew the money from Western Union in cash in an attempt to conceal and avoid detection of her income from the Internal Revenue Service. As a result of Carroll's fraudulent conduct, a tax loss of \$58,749.00 is due and owing for the 2014 tax year.

Carroll also knowingly and willfully attempted to evade or defeat taxes imposed under the Internal Revenue Code and the payment of taxes for the years 1999, 2000, 2001, 2002, 2003, 2006, 2009, 2010, 2011, 2012, 2013, 2014, 2015, and 2016. For all tax years, inclusive of 2014, Carroll attempted to evade taxes totaling \$310,078.00.

10-22-2018
Date

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10/16/2018
Date

Judy Lynn Carroll
Judy Lynn Carroll
Defendant

10-22-2018
Date

Jennifer Albertson
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